Canada

GREAT LAKES PILOTAGE AUTHORITY

Annual Report 2013

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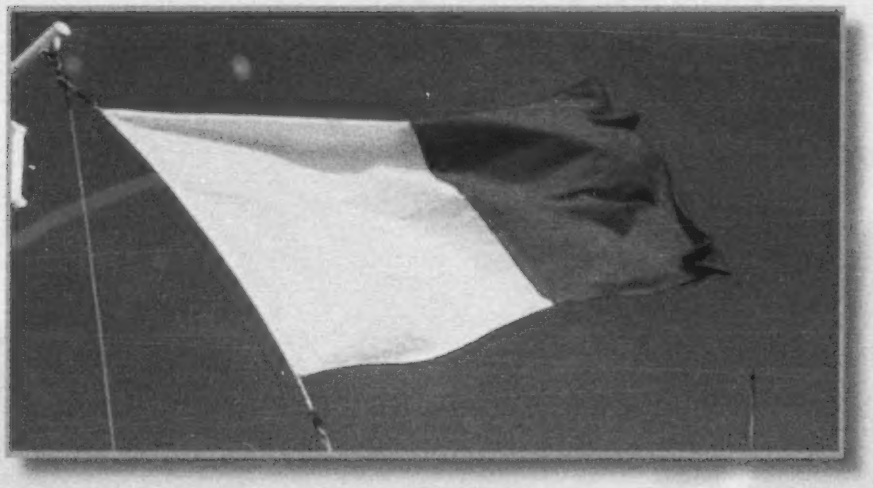
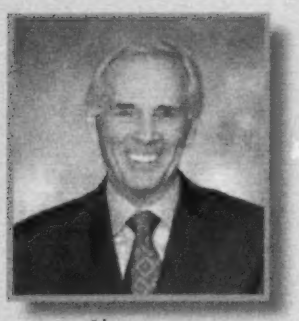


All photos in this report were taken in the Great Lakes by Authority pilots.

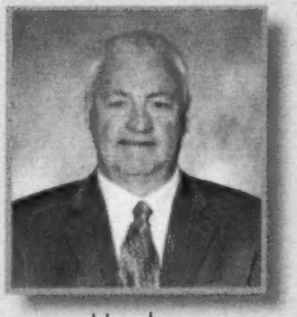
BOARD OF DIRECTORS



Chairman
① MR. J. D. SMITH
Public Interest Representative

Vice-Chair
② MS. D. DION
Public Interest Representative

Member
CAPTAIN M. DESROCHERS
Pilot Representative



Member
② CAPTAIN M. PRATT
Pilot Representative

Member
② MR. D. GRIEVE
Shipping Industry Representative

Member
① MR. R. T. DOOL
Shipping Industry Representative

Member
① MR. T. GEDDES
Public Interest Representative

① Member of the Audit Committee
② Member of the Governance Committee

EXECUTIVE OFFICERS AND MANAGEMENT OF THE AUTHORITY

Executive officers and management of the Authority, *from left to right, front row,* Stéphane Bissonnette, Chief Financial Officer; Robert Lemire, Chief Executive Officer; *back row,* Kim Pecore, Payroll, Personnel and Systems Administrator; Richard Quenneville, Operations Manager; Christine Doherty, Executive Assistant; Daniel Trottier, Director of Operations; Nathalie Archambault, Chief Accountant.

CHAIR AND CHIEF EXECUTIVE OFFICER'S REPORT

February 26, 2014

The Honourable Lisa Raitt, P.C., M.P.
Minister of Transport

Dear Minister,

On behalf of the Board of Directors and Management of the Great Lakes Pilotage Authority we are pleased to submit, pursuant to Section 150 of the *Financial Administration Act*, our 2013 Annual Report.

The Authority is pleased to report that it has completed another very successful year in providing safe, efficient and reliable pilotage services in the Great Lakes Region and the Port of Churchill, Manitoba. The year has been marked with the longest navigation season in the history of The St. Lawrence Seaway – 286 days, the season when the Western producers harvested the biggest wheat, canola, soybean and grain crops in Canadian history and finally, the coldest December in the Great Lakes in recent history. This perfect storm of events was handled with proficiency and efficiency, proving to the world that the Great Lakes waterway continues to be an important link in Canada's transportation system.

The Authority recorded its fourth consecutive operating surplus and is on plan to eliminate its accumulated deficit by 2015. Marine related incidents were minor in nature with no injury, pollution or damages to structures to report. The Authority continues to introduce operating efficiencies which translates in lower cost of shipping to the users of pilotage services in the Great Lakes. The Authority has eliminated all expenses associated with voluntary terminations and continues to review and transform business processes through the effective implementation of cost reduction in keeping with the Government's commitment to return to a balanced budget in 2015.

Revenues in 2013 increased to $22,223,176, an increase of 8.1% over 2012 due to a 2.5% increase in general tariffs implemented to cover inflation and increases in revenues attributed to larger foreign vessels trading in the Great Lakes, and the additional revenues generated during December 2013 due to the longer than usual transit of ships in the heavy ice. Total expenses increased to $21,328,790, an increase of 7.2% due in part to the cost of pilotage overtime costs in December 2013 due to long transits. Wage increases to employees of 1.5% accounted for the balance of the increase in operating expenses. The Authority generated an operating profit of $894,386 and a comprehensive income of $899,786 which permitted the Authority's accumulated deficit, which was $5,509,649 in 2009, to be reduced to $1,764,321 at December 31, 2013.

We would like to recognize the role of the Board of Directors, dedicated management and staff and the highly skilled and professional group of pilots, as they all played a role in allowing the Great Lakes Pilotage Authority to continue to meet all of its goals and objectives.

On behalf of the members of the Authority

J. Douglas Smith
Chair

Robert F. Lemire
Chief Executive Officer

MANDATE

The Great Lakes Pilotage Authority, Ltd. was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority is deemed to have been established under subsection 3(1) of the *Pilotage Act*. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*. On October 1st, 1998, the Authority ceased to be a subsidiary of the St. Lawrence Seaway Authority and has surrendered its charter under the *Canada Business Corporations Act*.

OBJECTIVES

The Authority's corporate objectives are summarized as follows:

- To provide economic, safe, reliable and comprehensive marine pilotage and related services in its region of responsibility.
- To promote the effective utilization of the Authority's facilities, equipment and expertise through the productive application of these resources in such activities and geographic areas as may be appropriate in the interest of safe navigation.
- To provide the above services within a commercially-oriented framework directed toward achieving and maintaining financial self-sufficiency at the least cost to the user.
- To be responsive to the Government's environmental, social and economic policies.

POWERS

To carry out its responsibilities the Authority has made regulations, approved by Order-in-Council, pursuant to the *Pilotage Act* for:

1. The establishment of compulsory pilotage areas.
2. The prescription of the ships or classes of ships subject to compulsory pilotage.
3. The prescription of the classes of pilot licenses and classes of pilotage certificates that may be issued.
4. The prescription of the tariffs of pilotage charges to be paid to the Authority for pilotage services.

In addition, the Authority is empowered by the *Pilotage Act* to:

1. Employ such officers and employees, including licensed pilots, as required.
2. Contract with a body corporate for the services of licensed pilots.
3. Make by-laws respecting the management of its internal affairs.
4. Purchase, lease or otherwise acquire land, buildings, pilot boats and such other equipment and assets as may be required and to dispose of any such assets acquired.
5. Borrow money for the purpose of defraying the expenses of the Authority.
6. With the approval of the Minister of Finance invest any money not immediately required for the purposes of the Authority in bonds or other obligations guaranteed by Her Majesty in right of Canada.

DESCRIPTION OF THE OPERATIONS

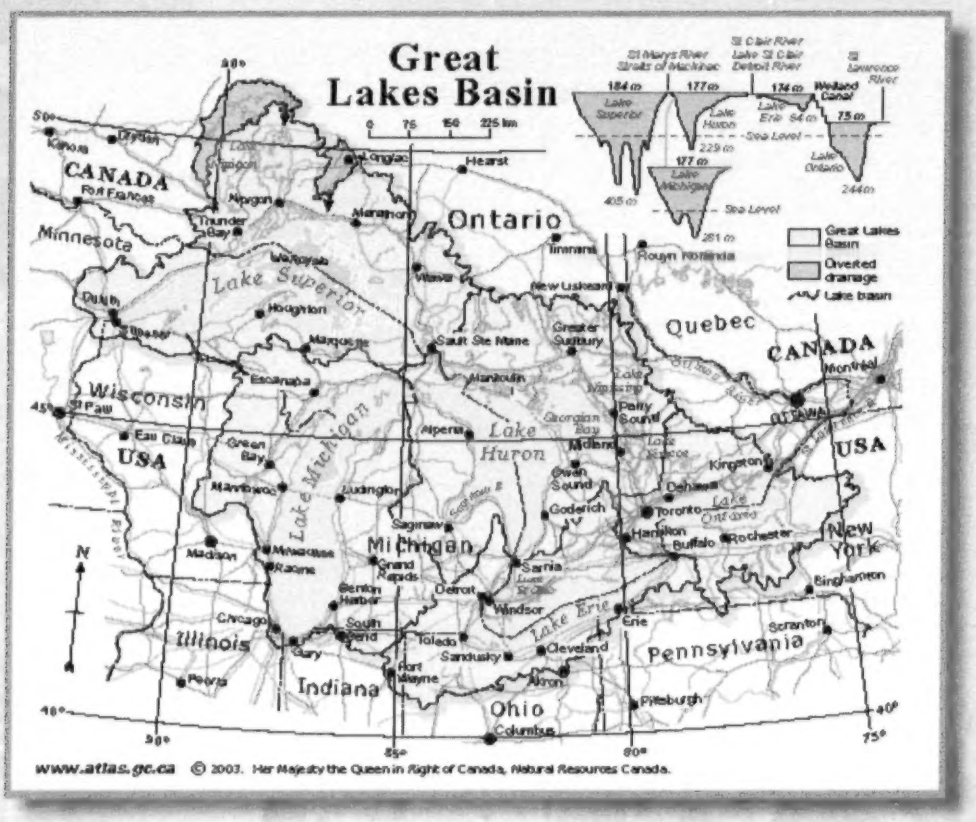
The Authority operates in the interest of safety, a marine pilotage service in all Canadian waters in the Provinces of Ontario, Manitoba and in Quebec south of the northern entrance to the St. Lambert Lock.

Services are provided through the performance of pilotage assignments on those vessels entering the region which are subject to compulsory pilotage by pilots employed by the Authority, using pilot boats contracted by the Authority and dispatch services, both controlled through Pilotage Headquarters at Cornwall, Ontario.

The Authority must co-ordinate its efforts and operations with a number of other organizations such as The St. Lawrence Seaway Management Corporation and the United States Seaway Development Corporation, who operate the lock facilities, and maintain traffic control systems within the Region; the Canadian Coast Guard, who provide aids to navigation and the United States Coast Guard, who are responsible for the United States pilotage matters in international waters.

The Great Lakes Pilotage region is divided as follows:

- Cornwall District
- International District No. 1
- Lake Ontario
- International District No. 2 (including the Welland Canal)
- International District No. 3 (including Lakes Huron, Michigan and Superior)
- The Port of Churchill, Manitoba



CORPORATE GOVERNANCE

The Great Lakes Pilotage Authority's approach to Corporate Governance is fully consistent with the philosophy and objectives of the Department of Finance and the Treasury Board's Guidelines for Crown Corporations.

Role of the Chair

On the recommendation of the Minister of Transport, the Chair is appointed by the Governor in Council. The Chair presides at all meetings of the Board of Directors, provides leadership and guidance to the CEO of the Authority and on behalf of the Board, advises the Minister of Transport on all issues involving the Authority and Pilotage in the Great Lakes.

Role of the Board of Directors

Corporate Governance at Great Lakes Pilotage Authority is the responsibility of the Board of Directors. The Board's role is to guide and supervise the affairs of the entity on behalf of the Government of Canada, by whom the Directors are appointed.

The Board is composed of the Chair and up to six other members chosen to ensure that an appropriate mix of expertise, experience and marine perspective is reflected in its decision-making. The Authority is now operating with a full complement of Directors. The specific function of the Board includes reviewing and recommending to the Minister of Transport, Great Lakes Pilotage Authority's policies, corporate plan, capital and operating budgets. The Board has input in and approves the Authority's Strategic and Corporate Plans. The Board prepares annually an Accountability Accord with the CEO detailing all objectives and goals expected to be met during the operating year. At year end the Board undertakes an exhaustive performance evaluation of the CEO to determine the status of all objectives so as to assess the performance of the CEO and the Authority. It also reviews and approves all major contracts, operational plans, financial statements, the auditor's report and the annual report. The Board ensures that the Authority maintains the highest standards in operating a safe, efficient and cost effective pilotage service.

Role of the Chief Executive Officer

A Chief Executive Officer is appointed by the members of the Board of Directors pursuant to section 13. (1.1) of the *Pilotage Act*. The remuneration of the CEO is fixed by an Order in Council. The CEO has the responsibility to plan, organize, direct and control the business of the Authority and reports to the Chair and the Board of Directors.

Role of the Audit Committee

The Audit Committee is a core committee of the Authority's Board and represents the engine of the Authority as it will improve the quality of the financial reporting, ensure the key risks are identified and managed, enable the directors to contribute their independent judgement, create a climate of discipline and control that will reduce the opportunity for fraud and increase stakeholder confidence in the credibility and objectivity of corporate performance.

The committee has the authority to investigate any activity of the Authority. The committee ensures the financial oversight and the oversight of the corporate books, records, general and management control and information system and management practices.

Role of the Governance Committee

The Authority created in 2013 a Governance Committee chaired by the Vice-Chair of the organization. The Governance Committee is responsible for Succession Plan, Renewal of the Board, Review/Update of Corporate By-Laws and other duties tasked by the Board of Directors.

The committee ensures good corporate governance and implements best practices in discharging its responsibilities.

OPERATIONS OVERVIEW

Traffic

The Authority experienced basically the same traffic in 2013 compared to 2012 and 2011 mainly due to a continuing slow economic recovery in North America and Europe. The workload for pilots in 2013 increased by 2.5% compared to 2012, averaging 116 assignments per pilot. Productivity per pilot has increased by 22% since the year 2009. The Authority saw similar numbers of large vessels sailing the Great Lakes in 2013 compared to 2012. In 2013, the large vessels which are the largest ships that can navigate in the Seaway locks, represented 40% of the pilotage assignments compared to 39% in 2012.

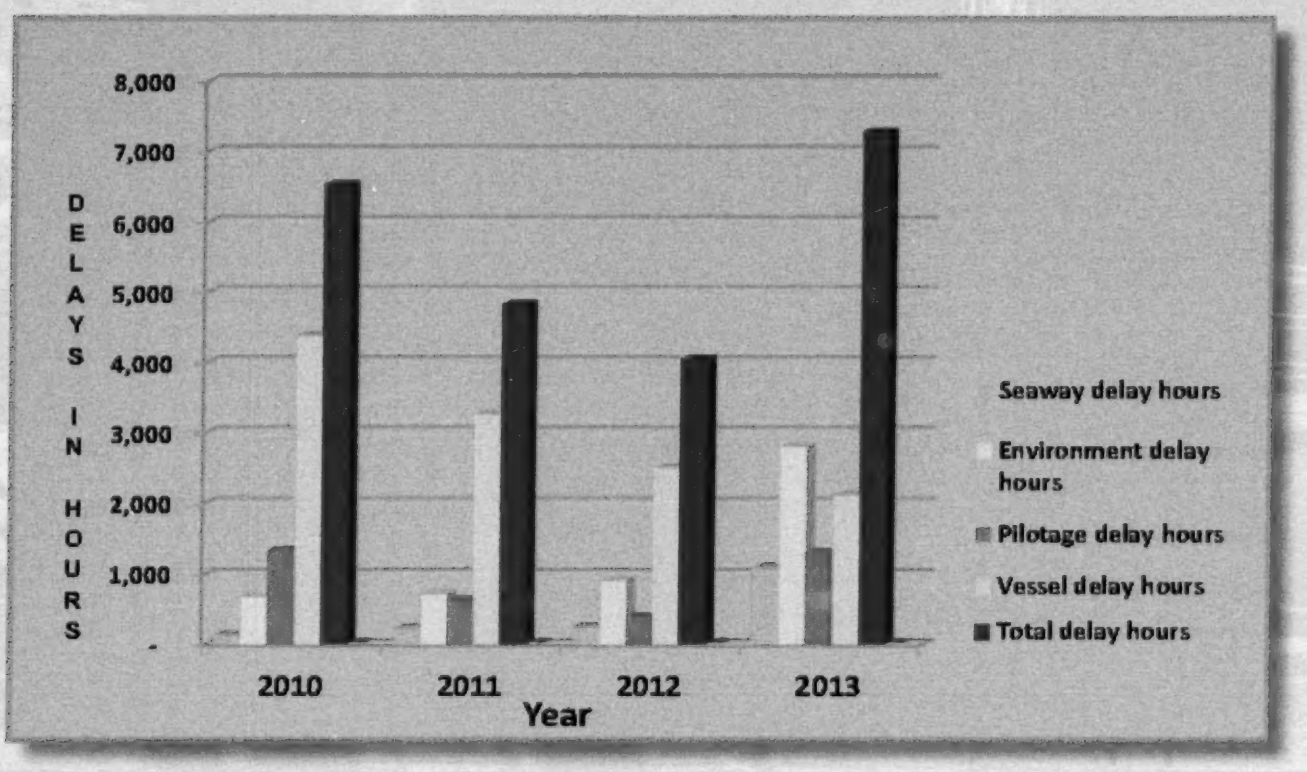
Service Levels

The Authority has employee pilots who work under collective agreements which dictate scheduling and call backs when traffic increases during peak periods. The Authority staffs at levels which will be able to meet peak traffic but is cautious in not having too many pilots given their fixed remuneration package. Delays to shipping are very costly to the users and are closely monitored in order to measure performance.

Total delays in 2013 to ships requiring pilots in the Great Lakes were 7,288 hours, of which 18% or 1298 hours were directly attributable to a shortage of pilots. In 2012, the total delays were 4,046 hours of which 10% or 387 hours were attributable to a shortage of pilots. The Authority has introduced significant operating efficiencies since 2010 which allowed total delays to ships to be reduced by 38% and delays due to pilot shortages be reduced by 70% even if traffic has remained the same for the last 3 years.

In 2013, more than 80% of the year's delays were incurred in December 2013 due to the record cold weather causing early freeze up and numerous Seaway closures due to ice-related issues and ice-related navigation stoppage.

DELAYS TO VESSELS



MARINE INCIDENTS

The Authority reviews, on an annual basis, all marine incidents in the Great Lakes for Canadian officers and Canadian pilots. The Authority has no jurisdiction over American officers and pilots sailing those waters, therefore no statistics are kept for those groups. The total number of marine incidents for Canadian pilots this year was 9, which is 1 incident above the 5 year average. The 2013 incidents are wall contact and bank contact which were minor in nature. The Authority is regularly reviewing measures with its pilot training committee to address past incidents that have been produced in simulation allowing pilots to practice on those and other emergency manoeuvres during their winter training.

Following the review of incidents for 2013, the Authority is pleased to report no major incidents requiring separate disclosure.

MARINE INCIDENT STATISTICS

INCIDENT	2013	2012	2011	2010	2009	2008
Collision	-	-	-	-	-	-
Foundering	-	-	-	-	-	-
Fire/Explosion	-	-	-	-	-	-
Grounding	-	-	1	1	1	-
Striking	-	-	-	-	1	1
Contact	9	3	1	6	6	9
Touching Bank/Bottom	-	3	1	-	-	3
Ice Damage	-	-	-	-	-	-
Ship Arrestor	-	-	-	-	-	1
TOTAL	9	6	3	7	8	14
Percentage of Incident Free Assignments	99.9%	99.9%	99.9%	99.9%	99.8%	99.8%

2013 Synopsis

As depicted in the above statistical table, there is no special trend in the 2013 incidents.

Pool of Qualified Pilot Candidates

In the 1999 Canadian Transportation Agency report to the Minister of Transport on pilotage issues, a recommendation was made that the Authority report on the pool of qualified pilot candidates in the Annual Report. The Authority has examined its manpower requirements for the next four years and based on the Authority's current Eligibility Lists of qualified candidates for its four pilotage districts, it will meet the Authority's need in staffing scheduled requirements. This analysis is based on traffic levels being maintained at their current levels.

FINANCIAL OVERVIEW

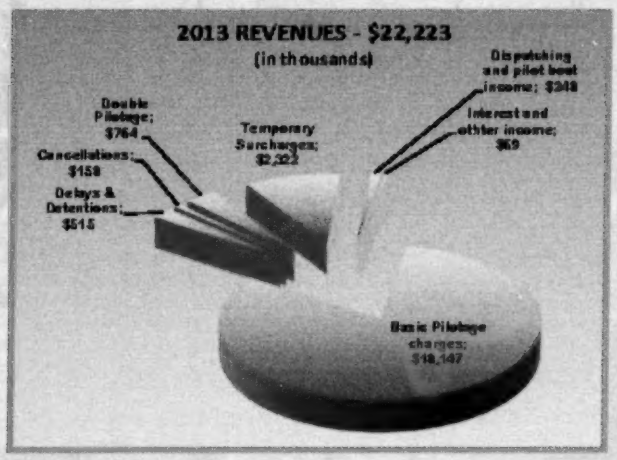
The Authority started 2013 with an accumulated deficit of $2,664,107 and finished the 2013 operating year with an accumulated deficit of $1,764,321, a decrease of $899,786. The Authority's goal is to eliminate the existing accumulated deficit by the end of 2015.

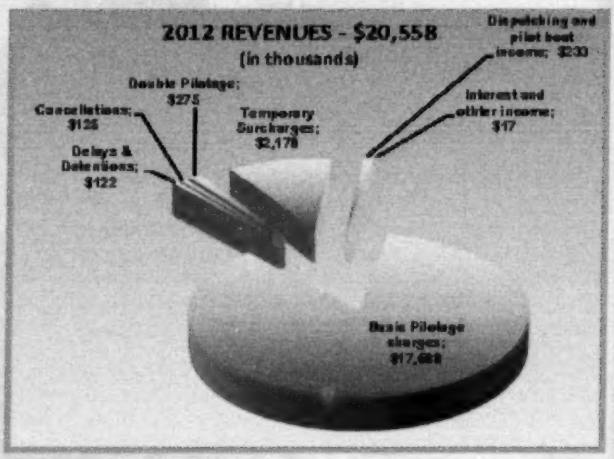
The 2013 operation surplus was attributable to the same traffic as the previous year, the operating efficiencies introduced by the Authority and the tariff amendments implemented during the year.

The Authority had a $3,000,000 line of credit and used part of its line of credit for part of the year. The line of credit was repaid by early July.

Revenues

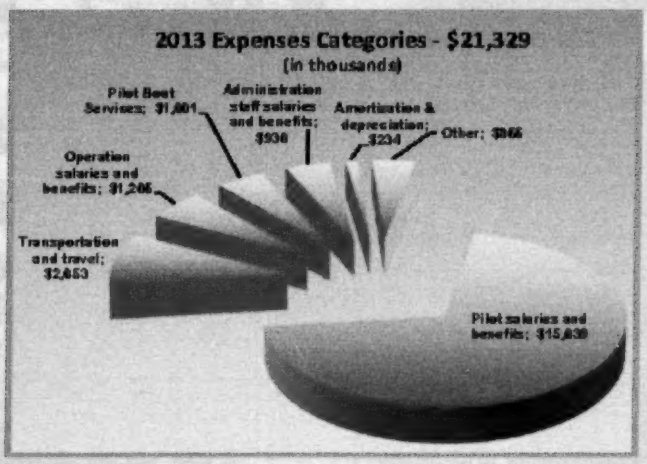
The Authority's revenues consist mainly of pilotage charges to both Canadian and Foreign shipowners. The Authority saw a $573,000 increase in its revenues due to an average 2.5% increase in general tariffs implemented to offset inflation and a $469,000 increase in its double pilotage charges as well as $ $419,000 in delays, detention and cancellations mainly resulting from the unusual extreme weather conditions in December 2013.

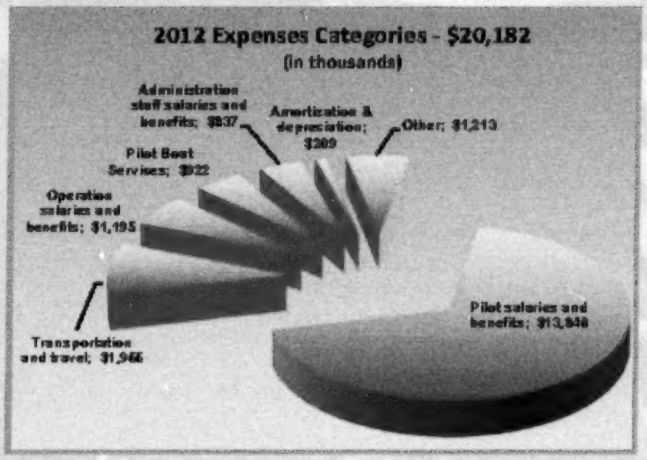




Expenses

The majority of the Authority's expenses are pilot wage/benefit related as well as pilot travel costs associated to performing the assignment. Pilot salaries and benefits saw a $1,199,000 increase versus 2012 driven mainly by $392,000 of overtime to support double pilotage and severe weather conditions causing delays and detentions in December, $377,000 to support the November traffic density uncommon for the month and $468,000 of incremental productivity resulting from the higher levels of double pilotage and the incremental assignments versus 2012.


2013 Expenses Categories - $21,329
(in thousands)
Pilot Boat Services; $1,001
Administration staff salaries and benefits; $930
Amortization & depreciation; $234
Other; $866
Operation salaries and benefits; $1,206
Transportation and travel; $2,653
Pilot salaries and benefits; $15,439


2012 Expenses Categories - $20,182
(in thousands)
Administration staff salaries and benefits; $837
Amortization & depreciation; $289
Other; $1,213
Pilot Boat Services; $922
Operation salaries and benefits; $1,195
Transportation and travel; $1,966
Pilot salaries and benefits; $13,760

GOVERNANCE REVIEW

Collective Agreement Renewal

The Authority's pilots and operation staff are represented by bargaining units. The administrative and dispatching staff are represented by The Public Service Alliance of Canada. The collective agreement has been renewed in 2013 and expires June 30, 2016.

All pilots are members of The Canadian Merchant Service Guild and saw their collective agreements renewed in 2012 and 2013. These four collective agreements expire March 31, 2017.

Enterprise Risk Management

The Authority has initiated an Enterprise Risk Management (ERM) program following its strategic planning session of June 2013. ERM has been incorporated as part of the Authority's strategy with the intentions of identifying and mitigating risks.

The focus for 2014 will be to continue to ensure that the "Very High" ranked risks have been properly identified with appropriate mitigating actions in place to reduce the effects and likelihood of the event.

The Authority completed in 2013 an Internal Audit Plan which will be implemented in 2014. This plan addresses the Authority's risk areas and will improve internal controls.

The results of the Enterprise Risk Management are summarized in the chart below.

Risk Table

Priority	Risk Time	Risk Rating	Likelihood	Impact
1	Financial Stability	VERY HIGH	VERY HIGH	EXTREME
2	Pilot Succession	VERY HIGH	EXTREME	MEDIUM
3	Management Succession (5 Years)	VERY HIGH	VERY HIGH	HIGH
4	Criminal Liability	MEDIUM	LOW	MEDIUM
5	Crew Competency	HIGH	EXTREME	HIGH
6	Environmental Issues	MEDIUM	MEDIUM	MEDIUM
7	Stakeholder Relations / Labour	HIGH	MEDIUM	VERY HIGH
8	Deliver Pilots to Ships	MEDIUM	MEDIUM	HIGH
9	Technology	MEDIUM	MEDIUM	MEDIUM
10	Governance	LOW	MEDIUM	HIGH
11	Pilotage Certificate Implementation	MEDIUM	VERY HIGH	MEDIUM

Special Examination – Auditor General of Canada

As required by Part X of the *Financial Administration Act* (FAA), the Auditor General of Canada carried out a Special Examination of the financial and management controls and information systems and management practices maintained by the Great Lakes Pilotage Authority. The Authority is required by paragraphs 131 (1) (b) and 131 (2) (a) and (c) of the FAA to maintain these systems and practices in a manner that will provide reasonable assurance that the following requirements are met:

- the assets of the Authority are safeguarded and controlled;
- the financial, human and physical resources of the Authority are managed economically and efficiently; and
- the operations of the Authority are carried out effectively.

GOVERNANCE REVIEW (cont'd)

The Auditor General of Canada presented on April 11, 2008 its report to the Board of Directors of the Authority stating that there is reasonable assurance that there were no significant deficiencies in the systems and practices they examined, except for the significant deficiency relating to the system of exempting Canadian ships from compulsory pilotage in the Great Lakes. This system of exemption has been in place since 1972 and was originally intended as a temporary measure.

The Authority is pleased to report that with the cooperation, input and consultation with the Canadian domestic shipowners and the support from Transport Canada – Marine Safety, the deficiency has been addressed. The Authority amended its Great Lakes Pilotage Regulations in 2011 to eliminate all exemptions for domestic vessels starting in 2013. The Authority has introduced a Pilotage Certification system which meets the requirements of the *Pilotage Act* and will be based on examinations and approved Pilotage Certificate Training Programs.

The next Special Examination is scheduled for 2018 at the latest.

2014 Strategic Outlook

The Board of Directors and Senior Management held a two-day Strategic Planning exercise in Collingwood, Ontario in June 2013. The Board modified its Enterprise Risk Management program which will guide its activities in the future. Significant risks were identified and strategies were established to address and mitigate the effects of these risks.

Pilot numbers were reduced by 15% in 2009-2010 when traffic decreased by 42% in the 2008 and 2009 navigation season. Traffic in 2010, 2011, 2012 and 2013 has rebounded and increased by 41% due in large part to the economic recovery since 2010 in North America and Europe. Pilot levels set in 2009 were adequate to meet 2013 traffic levels.

Tariff increases for the 2014 to 2017 period are expected to be set at levels that will eliminate the accumulated deficit in the period and establish a reasonable operating surplus.

The Authority has eliminated the 40-year exemption system for compulsory pilotage on Domestic vessels and has implemented a Pilotage Certificate system on January 1, 2013. The Authority has grandfathered over 525 Canadian navigation officers a Pilotage Certificate and will introduce a rigorous training/evaluation program for all future Canadian officers requesting a Pilotage Certificate for the Great Lakes region. A vessel that has a navigation officer at the conduct of the vessel will proceed in all regions of the Great Lakes without the requirement of having an Authority licensed pilot on board. The new regime will increase the safety and efficiency for all transits on the Great Lakes for all Domestic vessels.

The Authority has reviewed and updated its Enterprise Risk Management program in 2013 to adjust/amend the risk profile of the organization. The Authority will also adopt all necessary measures to meet the Government of Canada's objective of lowering costs and increasing efficiencies for the services it provides.

The Authority is planning on maintaining a stable work force for 2014 and is planning to initiate a system upgrade for its dispatch system.

OPERATING SUMMARY

	ACTUAL (000's)				
	2013	2012	2011	2010	2009
Revenue	$22,223	$20,558	$19,599	$20,089	$13,770
Operating costs	21,323	20,182	18,945	18,076	15,635
Comprehensive Income (Loss)	$ 900	$ 376	$ 654	$ 2,013	$ (1,865)

AVERAGE HUMAN RESOURCES

	ACTUAL				
	2013	2012	2011	2010	2009
Administrative	9.5	9.5	9.5	9.0	9.0
Pilots	56.0	56.0	56.5	56.5	56.5
Dispatchers	9.0	8.5	8.0	8.5	8.5
	74.5	74.0	74.0	74.0	74.0

PILOT ASSIGNMENTS

	ACTUAL				
	2013	2012	2011	2010	2009
Actual	6,403	6,358	6,389	6,059	4,468
Planned	6,100	6,100	5,325	4,217	5,800

ACCIDENT FREE ASSIGNMENTS

	ACTUAL				
	2013	2012	2011	2010	2009
Number	6,394	6,352	6,386	6,052	4,460
Percentage	99.9%	99.9%	99.9%	99.9%	99.8%

AVERAGE COST OF PERFORMING AN ASSIGNMENT

	ACTUAL				
	2013	2012	2011	2010	2009
Amount	$3,330	$3,174	$2,965	$2,983	$3,499

MANAGEMENT REPORT

The management of the Authority is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for all other information presented in the annual report. This responsibility includes the selection of appropriate accounting principles and the exercise of careful judgment in establishing reasonable estimates. Financial information shown elsewhere in this annual report is consistent with that contained in the financial statements.

Management maintains books of account, financial and management control, and information systems, together with management practices designed to provide reasonable assurance that reliable and relevant information is available on a timely basis. These systems and practices provide reasonable assurance that assets are safeguarded and controlled, that resources are managed economically and efficiently in the attainment of corporate objectives, and that operations are carried out effectively. These systems and practices are also designed to provide reasonable assurance that the transactions are in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Authority.

The Board of Directors is comprised of Directors who are not employees of the Authority. The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee oversees the entity's systems of internal accounting and administration control. The Committee meets with management and the auditors to satisfy itself that responsibilities are properly discharged and to review the financial statements. The financial statements and annual report are reviewed and approved by the Board of Directors on the recommendation of the Audit Committee.

The external auditor, the Auditor General of Canada, is appointed under the *Pilotage Act* and has audited the financial statements in accordance with Canadian generally accepted auditing standards. His report outlines the nature of the audit and expresses his opinion on the financial statements of the entity.

R.F. Lemire, CPA, CA
Chief Executive Officer

S.J.F. Bissonnette, CPA, CA
Chief Financial Officer

Cornwall, Ontario
February 26, 2014

Auditor General of Canada
Vérificateur général du Canada

INDEPENDENT AUDITOR'S REPORT

To the Minister of Transport

Report on the Financial Statements

I have audited the accompanying financial statements of the Great Lakes Pilotage Authority, which comprise the statement of financial position as at 31 December 2013, and the statement of operations and comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

.../2

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Great Lakes Pilotage Authority as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the *Financial Administration Act*, I report that, in my opinion, the accounting principles in International Financial Reporting Standards have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, the transactions of the Great Lakes Pilotage Authority that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with Part X of the *Financial Administration Act* and regulations, the *Pilotage Act* and regulations and the by-laws of the Great Lakes Pilotage Authority.

René Béliveau

René Béliveau, CPA auditor, CA
Principal
for the Auditor General of Canada

26 February 2014
Montreal, Canada

Statement of Financial Position
(In Canadian dollars)

	December 31 2013	December 31 2012
ASSETS		
Current		
Cash and cash equivalents	$2,305,323	$ 566,185
Investments (Note 10)	2,155,867	2,703,313
Accounts receivable and prepaids	4,063,710	2,919,309
	8,524,900	6,188,807
Non-current		
Property and equipment (Note 7)	497,558	652,558
Intangible assets (Note 8)	211,604	272,892
	$9,234,062	$7,114,257
LIABILITIES		
Current		
Accrued salaries and benefits	$6,920,642	$5,634,983
Other accounts payable and accrued charges	407,641	387,181
Employee benefits (Note 12)	265,500	141,300
	7,593,783	6,163,464
Non-current		
Employee benefits (Note 12)	3,404,600	3,614,900
	10,998,383	9,778,364
EQUITY		
Accumulated deficit	(1,764,321)	(2,664,107)
	$9,234,062	$7,114,257
Commitments (Note 15)		

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors and authorized for issue on February 26, 2014.

R. F. Lemire
Chief Executive Officer

T. Geddes
Director

Statement of Operations and Comprehensive Income
for the year ended December 31
(In Canadian dollars)

	2013	2012
Revenues		
Pilotage charges	$21,906,677	$20,308,397
Dispatching and pilot boat income	247,660	232,520
Interest and other income	68,839	17,142
	22,223,176	20,558,059
Expenses		
Pilots' salaries and benefits	15,038,926	13,840,142
Transportation and travel	2,053,289	1,965,571
Operation staff salaries and benefits	1,205,932	1,194,579
Pilot boat services	1,001,276	922,094
Administration staff salaries and benefits	929,890	836,550
Professional and special services	247,801	134,046
Amortization and depreciation	234,089	208,835
Utilities, materials and supplies	169,881	169,245
Rentals	106,671	102,423
Pilot laptop and navigation software	100,116	89,284
Pilot training costs	64,304	125,548
Communications	61,635	61,523
Purchased dispatching services	53,462	47,871
Repairs and maintenance	34,863	152,233
Financing costs and other charges	26,655	44,933
	21,328,790	19,894,877
Profit for the year	894,386	663,182
Other comprehensive income		
Items that will not be reclassified to net results		
Actuarial gain (loss) on employee benefits (Note 12)	5,400	(286,700)
	5,400	(286,700)
Comprehensive income for the year	$ 899,786	$ 376,482

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity for the year ended December 31
(In Canadian dollars)

	2013	2012
Accumulated deficit, beginning of year	$ (2,664,107)	$ (3,040,589)
Profit for the year	894,386	663,182
Other comprehensive income (loss) for the year	5,400	(286,700)
Total comprehensive income for the year	899,786	376,482
Accumulated deficit, end of year	$(1,764,321)	$(2,664,107)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows for the year ended December 31
(In Canadian dollars)

	2013	2012
Operating activities		
Profit for the year	$ 894,386	$ 663,182
Items not affecting cash:		
Employee benefits	(80,700)	15,031
Amortization and depreciation	234,089	208,835
Changes in non-cash working capital items:		
Decrease (Increase) in accounts receivables and prepaids	(1,144,401)	(514,404)
Increase in accrued salaries and benefits	1,285,659	284,151
Increase in other accounts payable and accrued charges	20,460	36,628
Cash provided by operating activities	1,209,493	693,423
Investing activities		
Purchase of investments	(2,557,175)	(2,703,313)
Disposal of investments	3,104,621	2,369,197
Acquisition of property and equipment and intangible assets	(17,801)	(1,029,765)
Cash provided (used) in investing activities	529,645	(1,363,881)
Cash and cash equivalents		
Net increase (decrease) in cash during the year	1,739,138	(670,458)
Cash, beginning of year	566,185	1,236,643
Cash end of year	$2,305,323	$ 566,185
Represented by:		
Cash	$1,304,912	$ 266,109
Cash equivalents	1,000,411	300,076
Supplemental information		
Interest paid during the year	$ 3,061	$ 19,528

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements
December 31, 2013
(In Canadian dollars)

1. Authority and objectives

The Great Lakes Pilotage Authority, Ltd. (The Authority) was established in February 1972 pursuant to the *Pilotage Act*, incorporated as a limited company in May 1972, and was continued under the *Canada Business Corporations Act*. Until October 1st, 1998, it operated under the name of Great Lakes Pilotage Authority, Ltd. and was a subsidiary of the St. Lawrence Seaway Authority. Pursuant to the *Canada Marine Act*, which received Royal Assent on June 11, 1998, the name of the Authority was changed to Great Lakes Pilotage Authority and the Authority was deemed to have been established under subsection 3(1) of the Pilotage Act. The Authority is a Crown corporation listed in Schedule III, Part I of the *Financial Administration Act*.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters.

The Authority is exempt from any income taxes.

The principal registered address and records office of the Authority are located at 202 Pitt Street, 2nd floor, Cornwall, Ontario.

Regulation of tariff of pilotage charges

The Authority shall, with the approval of the Governor in Council, make regulations prescribing tariffs of pilotage charges to be paid to that Authority. The tariff approval process is set out in the *Pilotage Act*. Consequently, the Authority must first publish the proposed tariff regulation in the *Canada Gazette*. Any person who has reason to believe that a regulation in this proposal is not in the public interest may file a notice of objection, setting out the grounds therefore, with the Canadian Transportation Agency (Agency) within thirty days following publication of the proposed regulation in the *Canada Gazette*. In such a case, the Agency must investigate the proposed regulation as necessary or desirable in the public interest, including the holding of public hearings. Once its investigation is complete, the Agency must make a recommendation within 120 days following the receipt of notices of objection, and the Authority is required to govern itself accordingly. The Agency is an entity related to the Authority as an organization of the federal government.

The tariffs may come into force 30 days after their publication in the *Canada Gazette*. However, where the Agency recommends a pilotage charge that is lower than that fixed by the Authority, the Authority is required to reimburse the difference between this charge and the charge recommended by the Agency, plus interest, to any person who has paid the fixed charge. *The Pilotage Act* stipulates that the Governor in Council may amend or cancel a recommendation of the Canadian Transportation Agency.

The tariffs of pilotage charges must be fair and reasonable, and must enable the Authority to operate on a self-sustaining financial basis. Thus, the tariffs fixed are intended to allow the Authority to recover costs.

2. Basis of presentation

(a) Declaration of conformity

These financial statements, including comparatives, have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements were approved by the Board of Directors on February 26, 2014.

(b) Basis of measurement

The financial statements have been prepared at historical cost except for financial assets classified as at fair value through profit and loss, which are measured at fair value.

3. Accounting standards

(a) Issued but not yet effective

IFRS 9 *Financial Instruments* - In November 2009, the IASB issued IFRS 9 with further revisions in October 2010 to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The Authority continues to evaluate the potential impact of IFRS 9 on its financial statements. The effective date is not yet determined.

(b) Implemented in the year

IAS 1 *Presentation of Financial Statements* was amended in June 2011. The main change resulting from these amendments is a requirement to group items presented in the Other Comprehensive Income on the basis of whether they will be potentially reclassified to profit or loss subsequently (reclassification adjustment). The Authority has applied this new standard during the year and has assessed that there is no impact of this standard to its financial statements.

IFRS 13 *Fair Value Measurement*, which sets out in a single IFRS a framework for measuring fair value and requires enhanced disclosures about fair value measurement, has been in effect since January 1, 2013. The Authority has applied this new standard during the year and has assessed that there is no impact of this standard to its financial statements.

4. Significant accounting policies

The significant accounting policies are as follows:

(a) Cash and cash equivalents

Cash equivalents represent short-term, highly liquid investments and consist of Canadian dollar deposits held by a Canadian chartered bank earning a weighted average interest rate of 1% (2012 - 1%).

(b) Investments

The objective of the Authority's investment policy is to maximize the investment rate of return in a Government of Canada guaranteed bond portfolio.

The Authority has elected to designate all investments as fair value through profit and loss (FVTPL). Consequently, investments are initially recorded at fair value, and subsequently re-measured to fair value at each reporting date. Fair value is based on the quoted price of the securities at the reporting date. Purchases and sales of investments are recognized on a settlement date basis.

Realized gains and losses from the interest received and from sale of investments are recognized in interest and other income in the period realized. Unrealized gains and losses from all other fluctuations in fair value are recognized in interest and other income in the period in which they occur.

(c) Property and equipment

Property and equipment are recorded at cost. Depreciation of property and equipment is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Asset category	Estimated useful life
Buildings	20 years
Furniture	10 years
Leasehold improvements	10 years
Communication and computer equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each year end and adjusted for the future.

(d) Intangible asset

Software is recorded at cost. Amortization of software is calculated on a straight-line basis and is based on the estimated useful life of the asset as follows:

Asset category	Estimated useful life
Software	5 years

(e) Pension benefits

Substantially all of the employees of the Authority are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and the Authority to cover current service cost. Pursuant to legislation currently in place, the Authority has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of the Authority.

(f) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of the severance benefits earned by employees is determined annually on an actuarial basis using the projected unit credit method prorated with years of credited service and management's best estimate assumptions, such as the discount rate, rate of salary increase, inflation, retirement ages of employees and other factors. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The benefit costs are determined using the cost of employee benefits for the current year's service, the interest cost on the accrued benefit obligation and net actuarial gain or loss for the year. The average remaining service period of the active employees covered by the plan is 8.3 years (December 31, 2012 – 9.7 years). The measurement date is December 31.

(g) Retirees' death benefits

Former employees who retired prior to 1999 have been granted a death benefit. The liability amount for this benefit is determined annually on an actuarial basis using the projected unit credit method. The actuarial gain (loss) is recognized in other comprehensive income and cannot be reclassified to profit in the future.

The annual cost of this benefit comprises the amount of benefits paid in the year plus the change in the actuarial liability during the year, reduced by a retiree contribution. There are 29 (December 31, 2012 - 30) participants in this closed plan with an average age of 83 years (December 31, 2012 – 82) and an average death benefit of $15,000 (December 31, 2012 - $14,200). There is also a spousal death benefit for 19 (December 31, 2012 – 21) participants at a fixed amount of $2,000 each as of December 31, 2013 and December 31, 2012.

(h) Employee benefits

The Authority's short-term employee benefits which include compensated absences, are evaluated on an undiscounted basis and are expensed as the related services are rendered.

(i) Effects of changes in foreign exchange rate

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the statement of financial position date. Revenues and expenses denominated in foreign currencies are translated into Canadian dollars at monthly average exchange rates. All exchange gains and losses are included under interest and other income in profit and loss for the year.

(j) Revenue recognition

Revenues earned from pilotage charges, dispatching and pilot boat income are recognized as services are rendered. Interest and other income are recognized using the effective interest method as they are earned.

(k) Financial assets

Financial assets are classified into one of four categories:

- Fair value through profit or loss (FVTPL);
- Held-to-maturity (HTM);
- Available for sale (AFS); and,
- Loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Authority has financial assets in two categories, FVTPL and loans and receivables.

(i) FVTPL financial assets

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Authority manages and has an actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

Cash, cash equivalents and investments are classified as FVTPL. Measuring these investments at fair value provides better alignment between the accounting results and how the portfolio is managed.

Derivative financial instruments are financial contracts that derive their value from changes in an underlying variable. The Authority does not enter into derivative financial instruments for trading or speculative purposes.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest method less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified.

Loans and receivables include accounts receivable. Due to the short-term nature of accounts receivable, their carrying values are deemed to approximate their fair values.

(iii) Effective interest method

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

(iv) Impairment of financial assets other than those measured at fair value

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivables, is directly reduced by the impairment loss. The carrying amount of accounts receivables is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the resulting carrying amount of the financial asset cannot exceed what its amortized cost would have otherwise been at that date had the previous impairment loss never been recognized in the first place.

(v) Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Authority transfers the financial asset and substantially all risks and rewards of ownership to another entity.

(l) Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. All of the Authority financial liabilities are classified as other financial liabilities.

(i) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Authority has classified other accounts payable and accrued charges and accrued salaries and benefits as other financial liabilities. Due to the short-term nature of these accounts, their carrying values are deemed to approximate their fair values.

(ii) Derecognition of financial liabilities

The Authority derecognizes financial liabilities when, and only when, the Authority's obligations are discharged, cancelled or they expire.

(m) Exchange of services

Exchanges of services are recorded at the estimated fair value of the goods or services received. Revenues from exchange of services are recognized when the related services are rendered. Expenses resulting from exchange of services are recognized during the period when the related goods or services are provided by third parties.

(n) Lease Payments

All Authority leases and leased assets are not recognized on the statement of financial position since virtually all the risks and benefits associated with ownership of leased assets are not passed to the Authority.

Payments under operating leases are expensed on a straight line over the term of the lease.

5. Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal year are discussed as follows.

(a) Significant accounting estimates

Significant accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next year.

Employee severance and retirees death benefits

The Authority engaged a third party actuary to assess the fair value of its employee severance benefits and the retirees' death benefit. The Authority assesses these obligations at December 31 each year.

Amortization and Depreciation rates

Refer to Note 4 (c) and 4 (d) for the estimated maximum useful lives of property and equipment and intangible assets.

(b) Significant accounting judgments

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Management has not made any significant accounting judgments in the preparation of these financial statements.

6. Financial instruments

Risk management

The Authority, through its financial assets and financial liabilities, is exposed to the following risks from its use of financial instruments: credit risk, liquidity risk, and market risk. The Authority manages these risk exposures on an ongoing basis.

Credit risk

Credit risk on financial instruments arises from the possibility that the issuer of a financial instrument fails to meet its obligation. To manage this risk, the Minister of Finance authorizes the Authority to only invest in bonds or other obligations of or guaranteed by Her Majesty in right of Canada or any province, or any municipality in Canada.

The carrying amount of cash and cash equivalents, investments and accounts receivable represents the maximum credit exposure.

The Authority's accounts receivable had a carrying value of $4,029,789 as at December 31, 2013 (December 31, 2012 - $2,858,748). There is no concentration of accounts receivable with any one customer. As at December 31, 2013, 0.8% (December 31, 2012 - 0%) of accounts receivable were over 90 days past due, whereas 66% (December 31, 2012 – 76%) were current, or less than 30 days past due. Historically, the Authority has not incurred any significant losses with respect to bad debts. The Authority's allowance for doubtful accounts was $4,626 at December 31, 2013 (December 31, 2012 - nil).

The credit risk related to cash is minimized as these assets are held with a Canadian chartered bank. The credit risk related to cash equivalents and short term investments is minimized as these assets are all bonds or other obligations guaranteed by Her Majesty in right of Canada or any Province, or any Municipality in Canada.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority must operate on a self-sufficiency basis and does not have access to Parliamentary appropriations and, as a result, depends on its funding sources, borrowing and cash flows from operating activities to fill its financing requirements. The Authority manages liquidity risk by continuously monitoring actual and projected cash flows. The Authority has a revolving demand credit facility with a Canadian chartered bank of up to $3.0 million to provide working capital financing. The interest rate is equivalent to the bank's prime rate. The Minister of Finance authorizes this amount. The credit facility is available to the Authority as required and is renewed annually. The Authority has received Minister of Finance's approval for 2014. At December 31, 2013, the Authority was not using the line of credit (December 31, 2012 – nil). During the 2013 year end, the interest expense was $3,061 (2012 - $19,528).The Authority took measures to obtain a line of credit in order to meet its financial obligation. As at December 31, 2013 and December 31, 2012, the Authority's financial liabilities were limited to accrued salaries and benefits and other accounts payable and accrued charges.

The Authority's financial liabilities had a carrying value of $7,328,283 (December 31, 2012 - $6,022,164). As at December 31, 2013 (December 31, 2012 – 100%), all of the Authority's accrued salaries and benefits and other accounts payable and accrued charges were current or less than 90 days.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Authority's income or the value of its holdings of financial instruments.

(a) Interest rate risk:

The Authority's cash equivalent and investments include short term highly liquid investments. The interest rate risk is managed by limiting term investments to 12 months or less. It is management's opinion that the Authority is not exposed to any significant interest rate risk.

(b) Currency risk and other risks:

The Authority is not presently exposed to any significant currency risk or other price risk.

Fair values

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The Authority's cash and cash equivalents and investments are measured subsequent to initial recognition at fair value and are Level 1 at December 31, 2013 and December 31, 2012. The Authority did not have Level 2 or 3 financial instruments at December 31, 2013 and December 31, 2012.

7. Property and equipment

	Buildings	Furniture	Leasehold improvements	Communication and computer equipment	Total
Cost					
At January 1, 2012	$ 38,494	$ 101,022	$ 81,955	$ 78,567	$ 300,038
Assets acquired	-	-	-	709,562	709,562
Disposals	-	-	-	(12,875)	(12,875)
At December 31, 2012	38,494	101,022	81,955	775,254	996,725
Assets acquired	-	1,850	-	1,264	3,114
Disposals	-	-	-	(2,732)	(2,732)
At December 31, 2013	$ 38,494	$102,872	$ 81,955	$ 773,786	$ 997,107
Accumulated depreciation					
At January 1, 2012	$ 38,494	$ 61,182	$ 39,563	$ 65,839	$ 205,078
Depreciation for the year	-	7,137	7,526	137,301	151,964
Disposals	-	-	-	(12,875)	(12,875)
At December 31, 2012	38,494	68,319	47,089	190,265	344,167
Depreciation for the year	-	7,507	7,526	143,081	158,114
Disposals	-	-	-	(2,732)	(2,732)
At December 31, 2013	$ 38,494	$ 75,826	$ 54,615	$ 330,614	$ 499,549
Carrying amounts					
At January 1, 2012	$ -	$ 39,840	$ 42,392	$ 12,728	$ 94,960
At December 31, 2012	$ -	$ 32,703	$ 34,866	$ 584,989	$ 652,558
At December 31, 2013	$ -	$ 27,046	$ 27,340	$ 443,172	$ 497,558

8. Intangible assets

	Software
Cost	
At January 1, 2012	$ 138,990
Assets acquired	320,203
Disposals	-
At December 31, 2012	459,193
Assets acquired	14,687
Disposals	(4,714)
At December 31, 2013	$ 469,166
Accumulated amortization	
At January 1, 2012	$ 129,430
Amortization for the year	56,871
At December 31, 2012	186,301
Amortization for the year	75,975
Disposals	(4,714)
At December 31, 2013	$ 257,562
Carrying amounts	
At January 1, 2012	$ 9,560
At December 31, 2012	$ 272,892
At December 31, 2013	$ 211,604

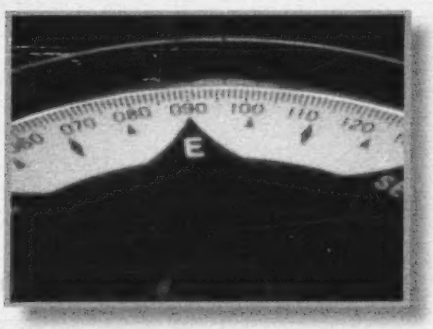
9. Bank indebtedness and bank overdraft

Bank indebtedness and bank overdraft at December 31 was nil for 2013 and 2012.

10. Investments

	December 31 2013		December 31 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Federal and Provincial Bonds	$2,155,867	$2,149,997	$2,703,313	$2,697,943

The interest earned during the year was $11,293 (2012 – $5,447). The annualized rates of return during the period on these investments were between 0.93% and 1.04%.



11. Pension plan

The Public Service Pension Plan (the Plan) is a multi-employer plan which requires the Authority to make contributions to the Plan. The Plan is a defined benefit plan whereby participants receive benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the Consumer Price Index.

The Authority does not receive information pertaining to the Plan position or its participation in the Plan and consequently does not have sufficient information to account for the Plan as a defined benefit pension plan. As a result, the authority accounts for its participation in the Plan as a defined contribution pension plan in accordance with IAS 19, *Employee Benefits*. A surplus or deficit in the Plan may have an impact on future contributions made by the Authority, which would be communicated by the Government of Canada through the contribution matching ratio (percentage contributed by the Authority for every dollar contributed by the employee).

The Authority contributes $1.64 for employees hired prior to January 1, 2013 and $1.57 for employees hired after December 31, 2012 (2012 - $1.74) for every dollar contributed by the employee. If an employee's annual salary is greater than $150,900 (2012 - $148,000), the portion of the employee's salary above this amount is subject to an employer contribution of $8.00 (2012 - $8.95) for every dollar contributed by the employee. Contributions during the year were as follows:

	December 31, 2013	December 31, 2012
Authority	$1,488,892	$1,141,550
Employee	900,418	652,231
Total contributions	$2,389,310	$1,793,781

The Administration expects that cash outlays of $1,316,000 will be made to the plan in 2014.

12. Employee benefits

(a) Severance benefits

The post-employment severance benefit is provided to all current employees under various collective agreements and employment contracts. The cost of the benefit is fully paid by the Authority. This plan is unfunded and requires no contributions from employees. The Authority measures its accrued benefit obligations of its post-employment severance benefit for accounting purposes as at December 31 of each year. The weighted average of the maturity of the plan at December 31 was 6.4 years (2012 – 9.5 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $208,700. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $187,000.

As part of the collective negotiations and changes to conditions of employment of all employees in the last two years, the accumulation of severance benefits under the severance pay program ceased for the majority of the employee groups in 2012 and ceased for the remaining group in 2013. Only one group of employees has an additional termination benefits for which these employees will continue to accumulate until the end of their employment. Some employees subject to these changes have been given the option to have the value of the severance benefits paid in full immediately or at termination of employment while for other employees, the value of the severance pay benefits will only be paid at termination of employment. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

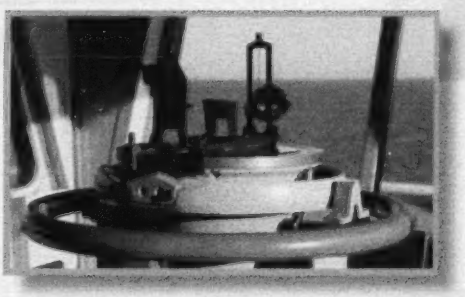
The method to determine the discount rate changed in 2013 and is based on projected cash flows and a yield curve. The yield curve takes into account the CIA Educational Note on Accounting Discount Rate Assumptions for Post-employment Benefit Plans and Fiera Capital's CIA Method Accounting Discount Rate Curve. It is believed that the curve methodology is sufficient and appropriate for the purpose of the valuation and is a more realistic representation of a Canadian AA discount rate curve, in the absence of sufficient long-dated corporate AA bonds which confirms to IAS19-R.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31 2013	December 31 2012
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$3,462,700	$3,153,569
Current service cost	66,000	166,231
Interest cost	118,600	130,900
Benefits paid	(279,400)	(254,900)
Actuarial loss	33,900	266,900
Defined benefit obligation, end of year	$3,401,800	$3,462,700
Components of expense recognized in profit and loss		
Current service cost	$ 66,000	$ 166,231
Interest cost	118,600	130,900
Total expense recognized in profit and loss	$ 184,600	$ 297,131
Analysis of actuarial gain or loss		
Change in financial assumptions	$ 33,900	$ 266,900
Actuarial loss	$ 33,900	$ 266,900
Classification of defined benefit obligation		
Current portion	$ 238,500	$ 120,400
Non-current portion	3,163,300	3,342,300
Defined benefit obligation, end of year	$3,401,800	$3,462,700
Key assumptions used in the actuarial valuation		
Discount rate	3.75%	3.5%
Estimated salary rate increase	0.95%-2.75%	1.17%-3%
Age at retirement	65 or current age if older	65 or current age if older

The Administration expects that no contributions will be made to the plan in 2014.

(b) Retirees' death benefits



The death benefit is provided to a closed group of pre-1999 retirees and their spouses. The plan is unfunded and does require a monthly contribution from the retiree of $1.90 per $1,000 of benefit.

The Authority measures the accrued benefit obligation of the retirees' death benefit plan for accounting purposes as at December 31 of each year. The weighted average of the maturity of the plan at December 31 was 7.8 years (2012 – 7.2 years). The plan is sensitive to a significant actuarial assumption which is the discount rate. A decrease in the discount rate of 1% would increase the defined benefit obligation at December 31 by $22,700. An increase in the discount rate of 1% would decrease the defined benefit obligation at December 31 by $20,100.

The method to determine the discount rate changed in 2013 and is based on projected cash flows and a yield curve. The yield curve takes into account the CIA Educational Note on Accounting Discount Rate Assumptions for Post-employment Benefit Plans and Fiera Capital's CIA Method Accounting Discount Rate Curve. It is believed that the curve methodology is sufficient and appropriate for the purpose of the valuation and is a more realistic representation of a Canadian AA discount rate curve, in the absence of sufficient long-dated corporate AA bonds which confirms to IAS19-R.

Information about the plan, measured as at the statement of financial position date, is as follows:

	December 31 2013	December 31 2012
Reconciliation of defined benefit obligation		
Defined benefit obligation, beginning of year	$ 293,500	$ 300,900
Current service cost	-	-
Interest cost	10,300	11,300
Benefits paid	(7,000)	(49,300)
Retirees' contributions	10,800	10,800
Actuarial (gain) loss	(39,300)	19,800
Defined benefit obligation, end of year	$ 268,300	$ 293,500
Components of expense recognized in profit and loss		
Current service cost	$ -	$ -
Interest cost	10,300	11,300
Total expense recognized in profit and loss	$ 10,300	$ 11,300
Analysis of actuarial gain or loss		
Change in financial assumptions	$ (23,200)	$ 19,800
Change in demographic assumptions	$ (16,100)	$ -
Actuarial (gain) loss	$ (39,300)	$ 19,800
Classification of defined benefit obligation		
Current portion	$ 27,000	$ 20,900
Non-current portion	241,300	272,600
Defined benefit obligation, end of year	$ 268,300	$ 293,500
Key assumptions used in the actuarial valuation		
Discount rate	4.1%	3.5%

The Administration expects that no contributions will be made to the plan in 2014.

13. Capital management

The Authority's capital is its equity, which consists of accumulated deficit of $1,764,321 (2012 - $2,664,107).

The Authority is subject to financial management and accountability provisions of the *Financial Administration Act* which imposes restrictions in relation to borrowings and acquisition of investments. On an annual basis the Authority must receive approval of all borrowings from the Minister of Finance. The Act limits investments to bonds or other obligations of, or guaranteed by, Her Majesty in right of Canada or any province, or any municipality in Canada. During the periods ended December 31, 2013 and 2012, the Authority has complied with these restrictions.

The Authority manages its equity as a by-product of managing its revenues, expenses, assets, liabilities, and general financial dealings to ensure that its objectives are achieved efficiently. The tariffs of pilotage charges must be fair and reasonable and must enable the Authority to operate on a self-sustaining financial basis, as required by the *Pilotage Act*.

There were no changes in the Authority's approach to capital management during the year.

14. Related party transactions

Details of the transactions between the Authority and other related parties are disclosed below.

(a) Trading transactions

The Authority is related in terms of common ownership to all Government of Canada created departments, agencies and Crown corporations. The transactions are recorded at the fair value. The Authority pays rent for its head office in Cornwall to the St. Lawrence Seaway Management Corporation. The amount paid in 2013 was $87,452 (2012 - $85,906). The Authority paid $15,684 to Transport Canada for its new cost recovery initiative to process the 2013-14 tariff regulation modifications. The Authority also contributes to the Public Service Pension Plan, refer to note 11.

The Authority also recovered $7,746 (2012 - $7,986) from the Laurentian Pilotage Authority for its share of the operating costs of the St. Lambert pilotage office.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended December 31, 2013, and 2012 included:

	Year ended December 31, 2013	Year ended December 31, 2012
Short term benefits, such as salaries	$ 597,894	$ 506,444
Fringe and other benefits	98,873	97,897
	$ 696,767	$ 604,341

15. Commitments

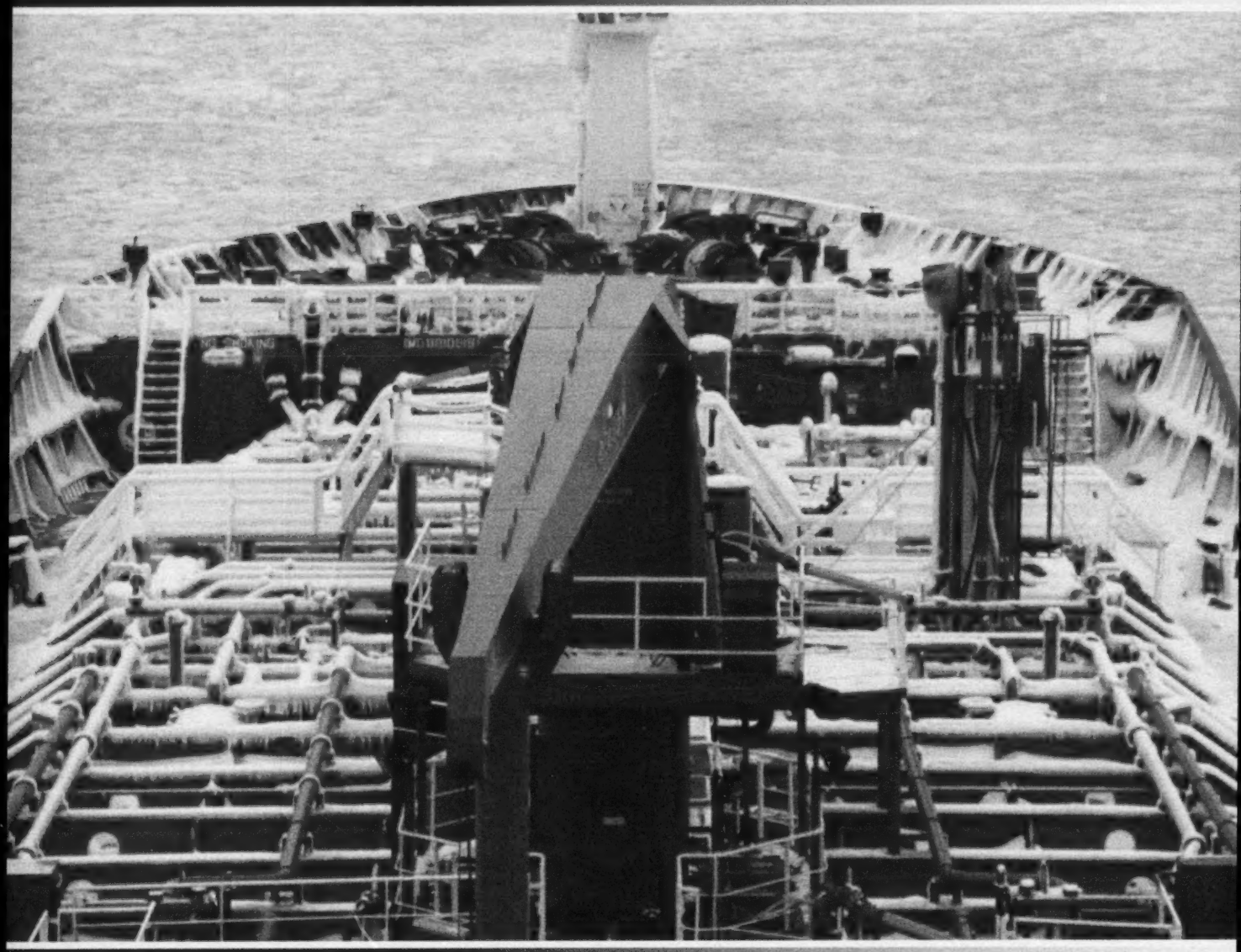
The Authority has commitments as at the statement of financial position date in respect of a lease for the rental of office space, pilot boat services, rental agreement of office equipment and simulator for training of Authority pilots, a support contract for the Authority's dispatch system and a maintenance agreement for the pilot's portable pilotage units. Future minimum rental and contractual payments are as follows:

	December 31 2013	December 31 2012
Less than 1 year	$ 500,668	$ 465,177
Between 1 and 5 years	431,741	469,215
More than 5 years	483,282	-
	$1,415,691	$ 934,392

16. Dispatching and pilot boat services to U.S. District No. 1 pilots

As per a letter of understanding, the Authority provides without charge all dispatching services and pilot boat services in Port Weller to the U.S. District No. 1 pilots. The St. Lawrence Seaway Pilots Association (U.S. Pilots Association) provides without charge pilot boat services for the Authority at Cape Vincent, New York.

The value of the services is recorded in revenue and expense. It amounts to $192,211 (2012 - $185,135). The revenue and expense is measured at the fair value of the services received by the Authority.



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